

MINUTES

MONTANA SENATE 57th LEGISLATURE - REGULAR SESSION COMMITTEE ON TAXATION

Call to Order: By **CHAIRMAN BOB DEPRATU**, on March 13, 2001 at 8:00 A.M., in Room 405 Capitol.

ROLL CALL

Members Present:

SENATOR Bob DePratu, Chairman (R)
SENATOR Alvin Ellis Jr., Vice Chairman (R)
SENATOR John C. Bohlinger (R)
SENATOR Mack Cole (R)
SENATOR Pete Ekegren (R)
SENATOR Jon Ellingson (D)
SENATOR Bill Glaser (R)
SENATOR Dan Harrington (D)
SENATOR Emily Stonington (D)

Members Excused: None.

Members Absent: None.

Staff Present: Lee Heiman, Legislative Branch
Deb Thompson, Committee Secretary

Please Note: These are summary minutes. Testimony and discussion are paraphrased and condensed.

Committee Business Summary:

Hearing(s) & Date(s) Posted: House Bill 412, 3/5/2001;
House Bill 351, 3/5/2001;
Senate Bill 496, 3/5/2001
Executive Action: Senate Bill 496; House Bill
351; House Bill 412; House
Bill 381

HEARING ON HB 412

Sponsor: REPRESENTATIVE MERLIN WOLERY, HD 90, Rudyard

Proponents: Roger Halver, Montana Association of Realtors; Chuck Notbohm, AARP; John Kershaw, AARP

Opponents: Amie Gromldge, Montana Collector's Association

Opening Statement by Sponsor: REPRESENTATIVE MERLIN WOLERY presented the bill. HB 412 addressed a change in homestead exemption values from \$60,000 to \$100,000. He gave the history on section 70-32-104. He said it had been in effect since 1889. It has been amended several times, the last time was in 1997.
{Tape : 1; Side : A; Approx. Time Counter : 0-3.4}

Proponents' Testimony: Roger Halver, Montana Association of Realtors, testified in support of the bill. He said in the last hearing he was asked to testify on the average cost of a home in Montana. At that time, he said that average value was \$130,000. However, the average price of a home can be deceptive. He asked some Realtors in Missoula what the medium price of a home in Montana was, they said \$136,000. He asked a Billings realtor and he said \$130,000. Helena didn't have a medium price, but they did have a average price of \$126,000. He felt \$100,000 was right for the Homestead Exemption.

Chuck Notbohm, Capitol City AARP, testified in favor of the bill.

John Kershaw, AARP, supported the bill.

Opponents' Testimony:

Amie Gromldge, Montana Collectors, testified against the bill. She described the Homestead Exemption in 1997 that increased from \$40,000 to \$60,000. Her association would like to see a reasonable amount of increase of \$20,000 to \$80,000, instead of \$100,000. They felt it was excessive to jump from \$60,000 to \$100,000. ***{Tape : 1; Side : A; Approx. Time Counter : 6 - 7.5}***

Questions from Committee Members and Responses: SENATOR EMILY STONINGTON asked if this Homestead Exemption was on all income properties. REPRESENTATIVE WOLERY clarified the Homestead Exemption was when you are sued by someone and you lose the court case or there's a large judgement, someone could take your home. They still have to pay the mortgage holder, it doesn't come ahead of them. However, it does protects the equity in your home.

SENATOR ALVIN ELLIS wanted to know if this was the only protection a homeowner had if he lost a civil case.

REPRESENTATIVE WOLERY, didn't know the answer. He said it was not related to this bill.

SENATOR ELLINGSON noted if you declared bankruptcy, you would have the right to claim the Homestead Exemption. **SENATOR ELLIS** asked whether the \$100,000 value on the house would be exempt in a bankruptcy. What about a \$200,000 value home? **SENATOR ELLINGSON** replied you'd be able to protect the \$100,000, you wouldn't be able to keep your house. You'd have to reinvest into another homestead, if you banked it they could grab it.

Closing by Sponsor: **REPRESENTATIVE WOLERY** closed. {Tape : 1; Side : A; Approx. Time Counter : 12-14}

HEARING ON HB 351

Sponsor: **REPRESENTATIVE ALAN OLSON**, HD 8, Roundup

Proponents: None

Opponents: None

Opening Statement by Sponsor: **REPRESENTATIVE ALAN OLSON** explained HB 351 would address remodeling, rebuilding or restoration of abandoned commercial property in a community for a tax holiday. The work that's done on that building is exempt from taxation, with the approval of the local governing body, for a period up to five years. Following those five years, taxes would be increased incrementally over the next four. {Tape : 1; Side : A; Approx. Time Counter : 14.0 - 15.9}

Proponents' Testimony: None

Opponents' Testimony: None

Questions from Committee Members and Responses: **SENATOR COLE** asked if this was all done with local government approval. **REPRESENTATIVE OLSON** replied that was correct.

SENATOR PETE EKEGREN wanted to know, if there's a \$50,000 building sitting on main street that hasn't been used for six months or more, and you put a \$100,000 in - are you only getting a tax deferment on the \$100,000 that you put into it?

REPRESENTATIVE OLSON replied that this was correct.

SENATOR ELLINGSON clarified before a property owner could go to local government and ask for a tax exemption on property, he had to remodel within six months after the building had been vacant.

REPRESENTATIVE OLSON said the building had to have been vacant for six months, then you have a twelve month construction period. Then any increase of taxable valuation over the original taxable valuation would be affected.

SENATOR ELLINGSON noted this was designed for buildings that weren't being used. He asked if someone decided to come in and remodel or expand, one of the inducements for doing that was the tax exemption. He asked if you would go the local government before you do the remodeling or after. **REPRESENTATIVE OLSON** replied, he would go to the local government before doing the remodeling.

SENATOR ELLIS wanted to know if there was any particular tax status for abandoned property, could you be paying taxes but also not be paying taxes depending on whether there was anyone who claimed ownership of the building? **REPRESENTATIVE OLSON** said taxes had to be paid up and current before any of these considerations could be given.

SENATOR ELLIS asked what if someone came in and did some improvements on a building in Billings and the taxes were not current. **REPRESENTATIVE OLSON** replied they would have to bring all of the back taxes current before they could do that.

SENATOR STONINGTON asked how the building would be assessed when remodeled. **Brad Simshaw**, Montana Department of Revenue, explained that if you are going to do some remodeling in the middle of the year, you would go to your local government with your plan. Then through the appraisal process the following January 1st, the state would reappraise the property and would catch that increase in valuation because of the remodeling.

Closing by Sponsor: **REPRESENTATIVE OLSON** closed. {Tape : 1;
Side : A; Approx. Time Counter : 7.5 - 30}

HEARING ON SB 496

Sponsor: **SENATOR BILL GLASER**, SD 08, Huntley

Proponents: Bob Gilbert, Rocky Mountain Propane Association; Russ Ritter, Montana Resources; Martin Mingay, Amerigas, Montana Propane; Daryl South, Montana Propane; Don Allen, WETA

Opponents: None

Opening Statement by Sponsor: SENATOR GLASER presented the bill. He explained that Mr. Gilbert had informed him there was only a one day supply of liquid petroleum gas available in merchant's hands. The rest of the storage is on farms and out behind trailer houses. Something should be done to encourage significant storage tanks for liquid petroleum gas. They arrived at the conclusion that a thirty thousand gallon tank would be a significant storage tank. In order to encourage the installation of these tanks, legislation should be adopted to give them a tax holiday. It does not cost anything if the tanks were never there. We would all benefit from additional storage. **{Tape : 1; Side : B; Approx. Time Counter : 0 - 7.1}**

Proponents' Testimony: "Oily" Bob Gilbert, representing the Rocky Mountain Propane Association, described the need for the bill. He pointed out this would only apply to new installations so would have no impact on county government. He said the opportunities made available by this bill would be far reaching. He said he was surprised there was more than one energy shortage. Propane was selling for a higher price out of state, so Montana was being bypassed. He stressed there was only a one day supply and if there was a blizzard there would be a problem. The people that heat by propane would be in trouble. The dealers are having problems and need more storage available. **{Tape : 1; Side : B; Approx. Time Counter : 7.1 - 9.3}**

Russ Ritter, representing Montana Resources, spoke in favor of the bill. He pointed out Montana Resources was one of the victims of the inability to purchase power at a reasonable cost. He described the cost of power that had affected the company. He urged the committee support this bill. **{Tape : 1; Side : B; Approx. Time Counter : 9.3 - 12.1}**

Martin Mingay, representing Amerigas Propane, spoke as a proponent. Propane services those customers that live beyond natural gas. A tax incentive for additional storage containers would be very positive. There is infrastructure around the country for moving propane from one region to another. As long as the regional suppliers have adequate supplies we are fine. However, if there is not adequate trucking or rail facilities it leads to shortages and high prices. One of the best solutions for that is additional storage facilities at the retail locations. This bill would address that need. Propane companies are reluctant to make the major investment for additional storage systems. A thirty thousand gallon tank is a significant investment, which is around \$50 thousand dollars or better to do that. This bill would offer tax incentives to make that

investment and ultimately would help serve the customers and save them money. **{Tape : 1; Side : B; Approx. Time Counter : 12.1 - 14.7}**

Daryl South, representing Montana Propane and the Montana Propane Gas Association, testified in support of the bill. The infrastructure of the state and the storage capacity has not kept up with demand especially in Western Montana where the rural growth has been tremendous. There has been no real bad weather to test the infrastructure and capacities. During the past December, a one day supply of propane would be pretty optimistic. He said his facility was out several days and everyone in surrounding towns were in the same position. One serious snowstorm could have devastating consequences for those households relying on propane. Besides the financial considerations with storage tanks, the industry comes across a lot of regulatory problems. This is a national problem not just Montana. He read from a national publication which recommended additional storage to meet a 14 day peak demand which would be sufficient to supply most supply distribution problems caused by weather. A survey was taken of all the dealers in Montana which found the average Montana propane company had peak 5-7 days, if the tanks were filled to the max. Additional propane storage was needed. **{Tape : 1; Side : B; Approx. Time Counter : 14.7 - 19.1}**

Don Allen, WETA, testified in support of the bill. The bill would provide an opportunity to gain valuable storage capabilities. There would be periods at some point that we would wish we had more storage. Not everyone would be able to do this, but some facilities would be able to deal with the energy crisis in a more timely way when the crisis was at hand. He urged the committee adopt this as a good policy measure. **{Tape : 1; Side : B; Approx. Time Counter : 19.1 - 21.5}**

Opponents' Testimony: None

Questions from Committee Members and Responses: **SENATOR BOHLINGER** pointed out it seemed there was a critical need for additional storage, especially when considering the limited supply at the present time. He asked if the effective date should be immediate in order to gear up for next winter. **SENATOR GLASER** replied this bill dealt with the taxing periods but if the committee decided to change the date he would be in agreement. **{Tape : 1; Side : B; Approx. Time Counter : 21.5 - 23.7}**

SENATOR COLE asked about problems with distribution. **Mr. South** replied the trucking was a problems especially out West as there are no refineries. The product comes from Canada or Billings and most of the Billings product is used in Eastern Montana. The

storage capacity would help during the times when the truckers were behind. He noted that a thirty thousand gallon tank represented a 2.5 day's supply. He could not afford to put in enough tanks to stock up in the summer when the price was down. Supply is definitely a problem and this year natural gas went up in price by 500%. The producer was not cracking the propane out of the natural gas, they were just sending it down the line. Natural gas prices were higher than propane this year. **{Tape : 1; Side : B; Approx. Time Counter : 23.7 - 30.7}**

SENATOR ELLIS asked if the thirty thousand gallon incentives should be lowered so ranchers and farmers would be inspired to add storage or trailer houses would store up more propane. **Mr. South** replied it was easy to track tanks used by the industry, but farmers and ranchers would make it a broader tax issue. **Ms. Cooney** replied a lot of propane tanks were rented so they would already be assessed. **{Tape : 2; Side : A; Approx. Time Counter : 0 - 1.7}**

SENATOR STONINGTON asked if a thirty thousand gallon tank was optimal. **Mr. South** replied that was the size tank than could be brought in by truck. He noted there were a lot of tanks that were 16,000 gallon and it would nice if two of those tanks combined would fall under this legislation. **{Tape : 2; Side : A; Approx. Time Counter : 1.7 - 4.5}**

SENATOR ELLIS asked for information regarding producers flaring off gas byproducts due to lack of infrastructure. **Mr. Gilbert** replied most of the producers shipped their material out of state, especially the way the prices are now. He explained he had been trucking oil for 37 years. He noted there was not enough production of fuel in the field to afford to put in a gas plant. Other plants would take hydrogen sulfide. The economics of putting in a plant to handle hydrogen sulfide is prohibitive as it is very, very corrosive. The equipment must be all stainless steel which is too expensive. This is why they would flare off the gas. However, as the prices rise then they take a different look at it and pipe that gas to a gas plant. They separate the natural gas and crack out the propane and haul it off. **{Tape : 2; Side : A; Approx. Time Counter : 4.5 - 7.5}**

Closing by Sponsor: SENATOR GLASER closed. He noted that peaking generators would become part of our life. The are local, portable and solve the shortage problems. A thirty thousand gallon tank of propane sounds like a lot. He pointed out this could be viewed as a 300 gallon tank per home which equaled 100 homes keeping warm. If you were a disaster manager, the first thing you would do is look at the resources you have in your district. There is fuel, diesel and gas on every farm. If there

is a disaster you would want to know where that energy is so when you are fighting a fire you would know what is available so you could make arrangements ahead of time. If you didn't have the storage on farms, at homes or behind trailer houses and you only have a one day supply - you must do better than that. If the trucks shut down for just a few days it would freeze some people out of their homes. This bill provides an incentive to help encourage more energy storage. **{Tape : 2; Side : A; Approx. Time Counter : 7.5 - 12.6}**

EXECUTIVE ACTION ON SB 496

Motion/Vote: SENATOR BOHLINGER moved that **AMENDMENTS TO SB 496 BE ADOPTED.** Motion carried unanimously.

SENATOR GLASER said it was not his intent to give a tax break to the 300 gallon tanks but rather to increase the general storage to the area.

SENATOR BOHLINGER said it was important that the effective date allow for the ramping up for next winter. Summer is the construction season so the incentive should apply now.

SENATOR ELLIS pointed out there was a lot more storage in the "hinterlands" than there are in the storage depots. A 5 ½ day supply is not sufficient. He felt it was a good idea to offer this incentive to anybody who doubles their facility storage capacity. **{Tape : 2; Side : A; Approx. Time Counter : 16.5 - 18.4}**

SENATOR ELLIS MOVED to change the tank to 18 thousand gallons or larger storage facility, regardless of the configuration. The question was called on the amendment. The motion **PASSED** unanimously.

Motion/Vote: SENATOR BOHLINGER moved that **SB 496 DO PASS AS AMENDED.** Motion carried unanimously.

EXECUTIVE ACTION ON HB 351

Motion/Vote: SENATOR COLE moved that **HB351 BE CONCURRED IN.** Motion carried unanimously.

EXECUTIVE ACTION ON HB 412

Motion/Vote: SENATOR STONINGTON moved that HB 412 BE CONCURRED IN. Motion carried 8-1 with SENATOR ELLIS voting no.

EXECUTIVE ACTION ON HB 381

Motion/Vote: SENATOR COLE moved that AMENDMENTS TO HB 381 BE ADOPTED. **EXHIBIT**(tas57a01) Motion carried unanimously.

Motion/Vote: SENATOR COLE moved that HB 381 BE CONCURRED IN AS AMENDED. Motion carried unanimously.

ADJOURNMENT

Adjournment: 9:44 A.M.

SENATOR BOB DEPRATU, Chairman

DEB THOMPSON, Secretary

BD/DT

EXHIBIT (tas57aad)